GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:185
ANSWERED ON:04.08.2000
FISCAL DEFICIT OF CENTRE AND STATES
MADHAVRAO SCINDIA;RENUKA CHOWDHURY

Will the Minister of FINANCE be pleased to state:

(a) whether the fiscal deficit of the Centre and the States together has assumed alarming proportions of over 10% of GDP this year;

(b) if so, how it compares with the corresponding figures for the last two years;

(c) the extent to which it is proposed to be covered by way of withdrawal of subsidies;

(d) the portion of subsidies actually reaches to those for whom it is meant and how much is consumed at intermediary stages like defraying taxes and levies, retention charges, etc., in each case, item-wise;

(e) whether some of the Chief Ministers were called for a meeting with Prime Minister in this regard in June 2000; and

(f) if so, the ways and means to reduce the deficit were discussed and decided upon?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a) to (f) A Statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha StarredQuestion No. 185 by Shri Madhavrao Scindia And ShrimatiRenuka Chowdhury for 4.8.2000

(a) & (b) As per the latest information available with the Reserve Bank of India, the combined gross fiscal deficitof the Centre and States as a percent of gross domestic product is 7.3 per cent for 1997-98, 9.0 per cent for 1998-99, and 9.1 percent for 1999-2000 (RE).

(c) The subsidies for 2000-01 are budgeted at Rs.22,800 crore, which is lower by 4.4 per cent as against Rs.23,838 crore for 1999-2000(BE). In terms of Gross Domestic Product (GDP), Centre`s subsidies are estimated at 1.0 percent in 2000-01as against 1.2 percent of GDP in 1999-2000(BE).

(d) It is Government`s constant endeavour that subsidies reach the targetted population to the maximum extent. However, the economic cost on the basis of which subsidies are determined includes, inter-alia, the cost of procurement or production, statutory charges (e.g. mandi charges, purchase tax, infrastructure charges, gunny cess and other taxes wherever applicable), non-statutory charges (e.g. labour and transport charges), storage and interest charges, distribution costs etc. The Government has also asked the Expenditure Reforms Commission to suggest further measures for better targetting of subsidies.

(e) & (f) Yes Sir. A group of Chief Ministers and Finance Ministers of various States called on the PrimeMinister on June 21, 2000 to discuss fiscal problems being faced by their States. The Prime Minister had observed thatboth the Centre and States would have to jointly evolve a consensus to take bold steps to correct the fiscal situation.